Southern Cotton Growers, Inc.
REPRESENTING COTTON PRODUCERS THROUGHOUT ALABAMA, FLORIDA, GEORGIA, NORTH CAROLINA, SOUTH CAROLINA AND VIRGINIA

COTTON MARKETING NEWS

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Prices Slip. It's called a "correction". A term that means the "forces" that once seemed in control have perhaps lost control and new forces are now in play. Such a correction could be just a brief, temporary change in direction (up or down) or something more permanent.

After flirting with 90 cents (closing at 88.54 on 3/14), prices (Dec13 futures) have posted 5 consecutive down days and could make it 6 today. Dec13 is currently under 86½ and lost just over 2 cents over the past week.

We last saw such a "correction" back in February when prices dared to reach the important 85-cent level. But after the brief hiccup, prices then proceeded to march ahead toward 90 cents. So, here we are again—at a level that most agree we shouldn't be and yet we are.

Recent News and Developments. Both China and India are market factors due to stocks and their stocks policies. It was reported this week that India will sell from their government stockpiles to domestic users. The ICAC (International Cotton Advisory Council) reports that China is also expected to sell about 3 million tons (about 13 million bales) of its 10 million ton government reserves. This would begin to reduce its massive stockpile. Global prices have increased 20 percent due to improving demand and China's aggressive building/hoarding of stocks creating an artificially tight supply/demand balance. It has also been reported that, due to the shortage of raw cotton, Chinese mills are importing yarn from India and Pakistan

US Cotton Acreage. USDA's *Prospective Plantings* report will be released on Thursday, March 28. US acreage is expected to be around 10 million acres or perhaps even a bit higher. This compares to 12.3 million last year and the National Cotton Council's February estimate of 9 million acres. Prices have improved 10 percent since the NCC survey. Cotton acreage is expected to be down from 2012 and will be—but likely by not as much as earlier expected. Actual acreage planted (the first estimate not out until the end of June) will be impacted by weather. Some areas are wet and soil conditions still cool. This could impact cotton planting or intentions to plant crops other than cotton.

Foreign acreage may also be higher than expected. With less but still more than expected acreage (and production), this may ease some of the tension on the supply side going into 2014 depending obviously on weather and growing conditions. This, combined with the release and use of massive World stocks, could slow down or derail the price advances we've experienced over the past 4 months. For now, prices are reacting to the artificial tight supply created by China and signs of improving cotton use/demand. One has to wonder, however, the impact of these higher prices on demand.

Outlook. Most growers likely have some portion of expected 2013 production already priced. Pricing probably started at 80 cents to the grower. I suspect that additional pricing has taken place as prices have continued to trek upward. Growers have had opportunity to sell expected production at 80 cents and at 85 cents or better. Some growers may be as much as 50% sold already.

Some growers may have 90 cents as the next target. This week's "correction" may put a question-mark on that. Waiting for 90 cents might not be a bad strategy if you're comfortable with having enough protection already and I wouldn't blame a grower for giving it a try. Otherwise, it seems risky.

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